Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2023 and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shimadzu Corporation:

Opinion

We have audited the consolidated financial statements of Shimadzu Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 4 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

<table>
<tr><th colspan="2">Appropriateness of the application of the Revenue Recognition Standards</th></tr>
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Appropriateness of the Revenue Recognized upon Completion of Product Installation

As described in Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements, the Group recognizes revenue in the amount of consideration it expects to receive in exchange for the promised goods or services when the control of those goods or services is transferred to the customers based on the five-step approach.

With regards to sales transactions for most Analytical and Measuring Instruments, most Medical Systems and Equipment, and certain Industrial Machinery, the Group determines the promised products and installation services are not distinct as the Group is responsible for providing products and installation services under contracts with customers. Customers consequently obtain the control of the products when the Group completes installation services for those products and thus, satisfying performance obligation. Therefore, revenues from those products and services are recognized upon completion of the installation.

With regard to the sales transaction in which the Group is responsible for providing products and installation services, the Group determines whether the Group needs to provide installation services in receiving orders based on the nature of the sales transaction or terms and conditions of the contracts and classifies and registers the sales transactions requiring installation services in its main information technology ("IT") system. Installation services are performed mainly by the service division or subsidiaries within the Group. The Group is required to obtain all necessary information evidencing the completion of installation services by such division or subsidiaries timely in order to recognize revenue. The Group has business processes and controls to recognize revenue not upon shipment of product in its IT system, but upon completion of product installation services in a timely manner.

It is considered to be critical that the Group registers the sales transaction into its IT system by understanding the contents of the contract with customers and determining the appropriate timing to recognize revenue, that the Group obtains information about the completion of product installation services is properly processed, and that the Group appropriately recognizes revenue based on that information. The Group has controls in place that are dependent on IT systems, such as data interface, and relies on integrated IT controls to recognize revenue in the appropriate period. Therefore, we determined this matter including automated controls within IT systems required our significant audit attention.

Given these factors that required significant auditor's attention, we determined appropriateness of the application of revenue recognition standards to be a key audit matter.
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Our audit procedures related to the Group's appropriateness of the revenue recognized upon completion of product installation included the following, among others:

• We assessed whether the Group's accounting policy met the requirements of the five-step approach by evaluating each step for the main revenue streams.

• We obtained an understanding of and evaluated the design and operating effectiveness of controls over the revenue recognition processes, commencing with approval for acceptance of orders including the registration of the classification of sales transactions through inquiry of relevant company personnel and inspection of documents such as approval for orders received and reports on the completion of product installation services.

• With the assistance of our IT specialists, we obtained an understanding of data flows, processes and automated controls within the IT systems from initiation of transactions through recognition of revenue and evaluated the design and operating effectiveness of the controls.

• We performed an analysis of all sales transaction data recorded during the year to identify unusual transactions, for which we performed additional procedures as necessary such as inquiry and inspection of related documents. Further, we randomly selected a sample of sales transactions throughout the year and determined whether they were appropriately classified based on the performance obligation and recorded in the appropriate period by tracing each selection to supporting documents.

• For sales transactions whose revenue was recognized upon shipment of the products to customers, we performed an analysis of the sales divisions where revenue was recognized and the nature of the sales transaction. For sales transactions that we determined to perform further testing as a result of the analysis, we tested whether they are not required to render the installation services by tracing each transaction to the terms and conditions of the contracts of the transaction described in the relevant supporting documents.
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Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

July 13, 2023

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2023

ASSETS	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 4) 2023
CURRENT ASSETS:			
Cash and cash equivalents (Note 22)	¥ 153,735	¥ 155,319	$ 1,147,276
Time deposits (Note 22)	5,112	2,647	38,149
Marketable securities (Notes 7 and 22)	425		3,172
Trade receivables and contract assets:			
Notes and accounts receivable			
– trade, and contract assets (Note 22)	131,243	121,931	979,425
Allowance for doubtful receivables	(2,217)	(2,168)	(16,544)
Net trade receivables and contract assets	129,026	119,763	962,881
Inventories (Note 8)	128,096	106,649	955,940
Prepaid expenses and other current assets	15,115	9,985	112,798
Total current assets	431,509	394,363	3,220,216
PROPERTY, PLANT AND EQUIPMENT (Notes 2.f and 3):			
Land	22,040	19,053	164,478
Buildings and structures	54,954	52,903	410,104
Machinery, equipment and vehicles	8,823	7,261	65,843
Lease assets	2,108	1,910	15,731
Construction in progress	2,124	992	15,851
Others (Note 2.n)	22,943	22,311	171,217
Total property, plant and equipment	112,992	104,430	843,224
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7 and 22)	13,244	12,615	98,836
Investments in and advances to unconsolidated subsidiaries			
and associated companies (Note 22)	1,901	881	14,187
Goodwill (Note 2.h)	4,948	2,283	36,925
Software (Notes 2.i and 3)	7,627	6,009	56,918
Asset for retirement benefits (Notes 3 and 11)	21,819	20,666	162,828
Deferred tax assets (Notes 3 and 20)	15,693	12,606	117,112
Other assets (Note 3)	9,136	6,675	68,179
Total investments and other assets	74,368	61,735	554,985
TOTAL	¥ 618,869	¥ 560,528	$ 4,618,425

LIABILITIES AND EQUITY	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 4) 2023
CURRENT LIABILITIES:			
Short-term borrowings (Notes 10 and 22)	¥ 1,334	¥ 1,427	$ 9,955
Current portion of long-term debt (Notes 2.n and 10)	3,310	3,536	24,701
Trade notes and accounts payable (Note 22)	66,714	66,539	497,866
Other payables	15,928	13,761	118,866
Contract liabilities (Note 13)	50,158	40,348	374,313
Income taxes payable	10,321	10,945	77,022
Provision for bonuses	13,627	11,658	101,694
Provision for loss on order received		10	
Accrued expenses and other current liabilities			
(Notes 2.o and 2.p)	10,995	10,520	82,053
Total current liabilities	172,387	158,744	1,286,470
LONG-TERM LIABILITIES:			
Long-term debt (Notes 2.n, 10 and 21)	6,632	6,629	49,492
Liability for retirement benefits (Notes 3 and 11)	14,222	12,994	106,134
Long-term deposit	80	80	597
Other long-term liabilities (Notes 2.o and 20)	2,049	917	15,292
Total long-term liabilities	22,983	20,620	171,515
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 21 and 23)			
EQUITY (Notes 12 and 26):			
Common stock, authorized, 800,000,000 shares; issued,			
296,070,227 shares	26,649	26,649	198,873
Capital surplus	34,911	34,911	260,530
Retained earnings	336,066	298,759	2,507,955
Treasury stock – at cost, 1,399,245 shares in 2023 and			
1,416,992 shares in 2022	(1,211)	(1,245)	(9,037)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	5,830	6,471	43,507
Foreign currency translation adjustments	15,657	10,093	116,843
Defined retirement benefit plans	5,597	5,526	41,769
Total	423,499	381,164	3,160,440
TOTAL	¥ 618,869	¥ 560,528	$ 4,618,425

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2023	2022	2023
NET SALES (Notes 2.s, 13 and 28)	¥ 482,240	¥ 428,175	$ 3,598,806
COST OF SALES	281,281	249,559	2,099,112
Gross profit	200,959	178,616	1,499,694
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	132,740	114,810	990,597
Operating income (Note 28)	68,219	63,806	509,097
OTHER INCOME (EXPENSES):			
Interest and dividend income	805	516	6,007
Interest expense	(281)	(189)	(2,097)
Foreign exchange gain, net	1,296	1,140	9,672
Donation (Note 18)	(97)	(1,064)	(724)
Gain on sales of non-current assets	80	171	597
Loss on disposal of non-current assets	(166)	(201)	(1,239)
Gain on sales of investment securities (Note 7)	103	147	769
Subsidy income	506	1,058	3,776
Insurance claim income (Note 15)	901		6,724
Loss on liquidation of business (Note 16)	(613)		(4,575)
Loss on special investigation (Note 17)	(351)		(2,619)
Loss on valuation of investment securities	(3)	(13)	(22)
Gain on transfer of investment securities (Note 18)		813	
Loss on fire (Note 19)		(550)	
Gain on liquidation of investment securities		3	
Other, net	433	310	3,231
Other income (expenses), net	2,613	2,141	19,500
INCOME BEFORE INCOME TAXES	70,832	65,947	528,597
INCOME TAXES (Note 20):			
Current	21,465	19,438	160,187
Deferred	(2,682)	(781)	(20,015)
Total income taxes	18,783	18,657	140,172
NET INCOME	52,049	47,290	388,425
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 52,049	¥ 47,290	$ 388,425

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.w and 25):			
Basic net income	¥176.64	¥160.49	$1.32
Cash dividends applicable to the year	54.00	48.00	0.40

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2023	2022	2023
NET INCOME	¥52,049	¥47,290	$ 388,425
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24):			
Unrealized loss on available-for-sale securities	(641)	(108)	(4,784)
Foreign currency translation adjustments	5,564	9,975	41,522
Defined retirement benefit plans	71	(14)	530
Total other comprehensive income	4,994	9,853	37,268
COMPREHENSIVE INCOME	¥57,043	¥57,143	$ 425,693
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥57,043	¥57,143	$ 425,693
Noncontrolling interests			

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2023

	Number of Shares of Common Stock Outstanding	Millions of Yen									
						Accumulated Other Comprehensive Income (Loss)					
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2021	294,645,093	¥26,649	¥34,911	¥262,967	¥(1,259)	¥6,579	¥ 118	¥5,540	¥335,505	¥	¥335,505
Net income attributable to owners of the parent				47,290					47,290		47,290
Cash dividends				(11,498)					(11,498)		(11,498)
Purchase of treasury stock					(4)				(4)		(4)
Disposal of treasury stock					18				18		18
Net change in the year	8,142					(108)	9,975	(14)	9,853		9,853
BALANCE, MARCH 31, 2022	294,653,235	26,649	34,911	298,759	(1,245)	6,471	10,093	5,526	381,164		381,164
Net income attributable to owners of the parent				52,049					52,049		52,049
Cash dividends				(14,742)					(14,742)		(14,742)
Purchase of treasury stock					(4)				(4)		(4)
Disposal of treasury stock					38				38		38
Net change in the year	17,747					(641)	5,564	71	4,994		4,994
BALANCE, MARCH 31, 2023	294,670,982	¥26,649	¥34,911	¥336,066	¥(1,211)	¥5,830	¥15,657	¥5,597	¥423,499	¥	¥423,499

	Thousands of U.S. Dollars (Note 4)									
					Accumulated Other Comprehensive Income (Loss)					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2022	$198,873	$260,530	$2,229,545	$(9,291)	$48,291	$ 75,321	$41,239	$2,844,508	$	$2,844,508
Net income attributable to owners of the parent			388,425					388,425		388,425
Cash dividends			(110,015)					(110,015)		(110,015)
Purchase of treasury stock				(30)				(30)		(30)
Disposal of treasury stock				284				284		284
Net change in the year					(4,784)	41,522	530	37,268		37,268
BALANCE, MARCH 31, 2023	$198,873	$260,530	$2,507,955	$(9,037)	$43,507	$116,843	$41,769	$3,160,440	$	$3,160,440

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥ 70,832	¥ 65,947	$ 528,597
Adjustments for:			
Income taxes paid	(21,800)	(16,721)	(162,687)
Depreciation and amortization	17,524	16,205	130,776
Loss on liquidation of business	613		4,575
Loss on special investigation	351		2,619
Insurance claim income	(901)		(6,724)
Loss on fire		550	
Payment on special investigation	(289)		(2,157)
Receipt of insurance claim income	350		2,612
Payments associated with loss on fire		(232)	
Foreign exchange gain, net	(1,043)	(1,062)	(7,784)
Donation		949	
Gain on sales and valuation of investment securities	(100)	(134)	(746)
Gain on transfer of investment securities		(813)	
Gain on liquidation of investment securities		(3)	
Loss on sale and retirement of property, plant and equipment	87	30	649
Changes in assets and liabilities:			
Increase in trade receivables	(1,053)	(221)	(7,858)
Decrease in allowance for doubtful receivables	(105)	(136)	(784)
Increase in inventories	(16,191)	(5,253)	(120,828)
(Decrease) increase in trade payables	(4,228)	2,255	(31,552)
Increase in contract liabilities	6,831	1,428	50,978
Increase in accrued bonuses	1,503	96	11,216
Decrease in net defined benefit asset and liability	(17)	(134)	(127)
Other, net	(4,061)	617	(30,305)
Total adjustments	(22,529)	(2,579)	(168,127)
Net cash provided by operating activities	48,303	63,368	360,470
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	515	556	3,843
Purchases of property, plant and equipment	(16,839)	(10,131)	(125,664)
Purchases of investment securities	(1,866)	(348)	(13,925)
Proceeds from sales of investment securities	182	303	1,358
Proceeds from liquidation of investment securities		22	
Payments of long-term loans receivable	(67)	(50)	(500)
Collections of long-term loans receivable	56	41	418
Payments for acquisition of newly consolidated subsidiaries (Note 5)	(13,996)		(104,448)
Other, net	(2,494)	3,562	(18,612)
Net cash used in investing activities	(34,509)	(6,045)	(257,530)
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(100)		(746)
Repayments of long-term debt	(4,608)	(4,182)	(34,389)
Cash dividends paid	(14,745)	(11,490)	(110,037)
Decrease in treasury stock	34	14	254
Net cash used in financing activities	(19,419)	(15,658)	(144,918)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	4,041	6,799	30,157
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,584)	48,464	(11,821)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	155,319	106,855	1,159,097
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 153,735	¥ 155,319	$ 1,147,276

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Shimadzu Corporation (the "Company") and its significant subsidiaries (collectively, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 23 domestic subsidiaries (23 in 2022) and 55 foreign subsidiaries (53 in 2022). Nissui Pharmaceutical Co., Ltd., and 1 other company, whose shares were newly acquired, have been included in the scope of consolidation from the fiscal year ended March 31, 2023. 6 subsidiaries are not included in the consolidated financial statements and consolidation of the 6 subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Investments in 3 associated companies (1 in 2022) are recorded using the equity method. Following the conversion of Nissui Pharmaceutical Co., Ltd., into a subsidiary, two of its affiliates are included in the scope of equity method. For associated companies recorded using the equity method with fiscal year-end dates that differ from the consolidated fiscal year-end date, the financial statements that were closed at their fiscal year-end dates or provisionally closed at the consolidated fiscal year-end date were used for consolidation.

Investments in 6 unconsolidated subsidiaries (4 in 2022) and 4 associated companies (4 in 2022) are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated during consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Shimadzu (China) Co., Limited and 10 other subsidiaries have a closing date falling on December 31; however, these companies carry out provisional settlements of accounts on March 31 and use these amounts in consolidated accounts. During the fiscal year ended March 31, 2023, December 31 was used by 1 consolidated subsidiary as the closing date for their financial statements. Necessary adjustments have been made to address transactions that occurred between closing dates different to that of the Company.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** – Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Cash Equivalents*** – Cash equivalents are short-term investments that are readily convertible into cash exposed to insignificant risk of changes in value.

Cash equivalents include time deposits that mature or become due within three months of the date of acquisition.

d. ***Marketable and Investment Securities*** – Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. ***Inventories*** – Inventories are principally stated at the lower of cost, using the periodic average method, or net selling value.

f. ***Property, Plant and Equipment*** – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment, lease assets, and right-of-use assets is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally 3 to 75 years for buildings and structures, 4 to 17 years for machinery, equipment and vehicles, and 2 to 15 years for tools, furniture and fixtures included in "Others" under "Property, plant and equipment." The useful lives for lease assets and right-of-use assets are the terms of the respective leases.

Accumulated depreciation as of March 31, 2023 and 2022, was ¥137,799 million ($1,028,351 thousand) and ¥120,339 million, respectively.

g. ***Long-Lived Assets*** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. ***Goodwill*** – Goodwill is amortized using the straight-line method over estimated effective lives of up to 20 years, while immaterial amounts of goodwill are charged to income as incurred.

i. ***Software*** – Software costs for internal use are capitalized and amortized by the straight-line method over estimated useful lives of 5 years.

j. ***Retirement and Pension Plans*** – The Company and certain domestic subsidiaries have three types of retirement and pension plans covering most of their employees, a cash balance type defined benefit pension plan, a lump-sum severance payment plan, and a defined contribution plan or an advance payment system. Under the defined contribution plan or advance payment system, employees can adopt whichever they consider more preferable. Other domestic subsidiaries have defined benefit pension plans and lump-sum severance payment plans. Certain foreign subsidiaries have non-contributory funded pension plans.

Certain consolidated subsidiaries have adopted a simplified method of calculation with liability for retirement benefits and retirement benefits expense. Under this simplified method, the retirement benefit obligation for employees is stated at the amount which would be required to be paid if all eligible employees voluntarily retired at the balance sheet date.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 15 years no longer than the expected average remaining service period of the employees.

The Company has an employee retirement benefit trust for payments of retirement benefits. The securities that were contributed to and held in this trust qualify as plan assets.

The domestic subsidiaries also have a retirement plan for directors and Audit & Supervisory Board members. The Group provides a liability for the amount that would be required if all directors and Audit & Supervisory Board members retired at the end of each financial period. The accrued provisions are not funded and any amounts payable upon retirement are included in other long-term liabilities as of March 31, 2023 and 2022.

k. ***Asset Retirement Obligations*** – An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset, and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. ***Research and Development Costs*** – Research and development costs are charged to income, general and administrative expenses as incurred.

m. ***Allowance for Doubtful Receivables*** – The allowance for doubtful receivables is stated in the amount considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

n. ***Leases*** – Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

o. ***Transactions Related to the Board Incentive Plan Trust*** – Based on the resolution at the general meeting of shareholders held on June 28, 2017, the Company introduced the "Board Incentive Plan Trust" (the "Plan") as a performance-based stock remuneration plan for directors and titled corporate officers of the Company (excluding corporate officers who are non-residents of Japan). Accounting treatments related to the trust are in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

The Plan is a stock remuneration plan, wherein a trust established by the Company (Board Incentive Plan Trust) acquires the Company shares using the cash contributed by the Company and through this trust, the Company shares and money equivalent to the amount obtained by converting the Company shares into cash, corresponding to the points granted based on the degree of achievement of business performance each fiscal year and according to the individual position of the recipient, are delivered and paid to directors.

The shares of the Company remaining in the trust are recorded as treasury stock under equity based on the book value (excluding incidental costs) in the trust. As of March 31, 2023, the Company's treasury stock consisted of 145,398 shares with a total book value of ¥298 million ($2,224 thousand), compared with 164,230 shares and a total book value of ¥337 million as of March 31, 2022.

In addition, the estimated amount of the aforementioned directors' remuneration allotted at the end of the current fiscal year was recorded as provision for stock payment in "Accrued expenses and other current liabilities" under "Current liabilities," and "Other long-term liabilities" under "Long-term liabilities."

p. ***Bonuses to Directors and Titled Corporate Officers*** – Bonuses to directors and titled corporate officers are accrued at the year-end to which such bonuses are attributable. The estimated amount of the aforementioned bonuses to directors and titled corporate officers was recorded as provision for bonuses to directors and titled corporate officers in "Accrued expenses and other current liabilities" under "Current liabilities."

q. ***Income Taxes*** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company and some domestic subsidiaries have applied the group tax sharing system from the beginning of the consolidated fiscal year. In addition, in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021), the Company and some domestic subsidiaries account for corporate tax and local corporate tax, or they account for and disclose related tax effect accounting.

r. ***Appropriations of Retained Earnings*** – Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

s. ***Revenue Recognition*** – Based on the following five-step approach, the Group recognizes revenue from contracts with customers, in the amount of consideration it expects to receive, in exchange for the promised goods or services when the control of those goods or services is transferred to the customers.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In recognizing revenue, the Group identifies performance obligations based on contracts with customers for the sales of products, services and other sales in its core business of measuring instruments, medical equipment, aeronautical equipment and industrial equipment, and generally recognizes revenue at the following times when the performance obligations are satisfied:

(1) Revenue from Sales of Products

With respect to the sales transaction where the Group is responsible for providing products and installation services, revenue is recognized upon completion of product installation services.

With respect to the sales transaction where the Group is not responsible for providing products and installation services, revenue is recognized upon delivery of products, when customers obtain control of the products and the Group satisfies performance obligations.

With respect to the sales transaction where the Company and its domestic subsidiaries are not responsible for providing products and installation services, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is an ordinary period.

(2) Revenue from Services and Other Sales

Revenue from services and other sales mainly includes revenues from warranty, repair, maintenance and relocation activities related to products. Revenues is recognized either at the time the service is completed if the performance obligations are satisfied at a point in time, or based on either a straight-line basis or the progress over the service period if performance obligations are satisfied over time.

t. ***Foreign Currency Transactions*** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income in the period in which they occur.

u. ***Foreign Currency Financial Statements*** – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in accumulated other comprehensive income as a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

v. ***Derivatives*** – The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange rate risk. The Group does not enter derivatives for trading or speculative purposes.

Foreign currency forward contracts are measured at fair value and the unrealized gains/losses are recognized in income.

w. ***Per-Share Information*** – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not presented as there are not any dilutive securities outstanding.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

x. ***Business Combinations*** – Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

y. ***Changes in Accounting Policies***

Application of "Guidance on Accounting Standard for the Calculation of Fair Value" – The Group has applied the Guidance on Accounting Standard for the Calculation of Fair Value (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the current fiscal year and decided to apply the new accounting policy set forth in the Guidance on Accounting Standard for the Calculation of Fair Value in the future in accordance with the transitional treatment set forth in Paragraph 27-2 of the Guidance on Accounting Standard for the Calculation of Fair Value. The impact of this change on the consolidated financial statements for the current fiscal year is immaterial.

z. ***New Accounting Pronouncements***

Application of "Accounting Standard for Current Income Taxes" etc.

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, ASBJ)

- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022, ASBJ)

- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

(1) Overview

These accounting standards and guidance establish the accounting classification for corporate taxes resulting from other comprehensive that is subject to taxation, as well as the treatment of tax effects related to the sale of shares in subsidiaries when the group taxation regime is applied.

(2) Date of applying

The Group will apply the accounting standards and implementation guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Effect of the applying the accounting standard and guidance

The Group is in the process of measuring the effects of applying the accounting standard and implementation guidance in future applicable periods.

3. SIGNIFICANT ACCOUNTING ESTIMATES

(1) Impairment Loss of Assets of the Group

(a) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Property, plant and equipment	¥112,992	¥104,430	$843,224
Intangible assets	16,964	11,151	126,597

(b) Information on the significant accounting estimate

In order to identify indications of impairment loss and to perform recoverability test, business assets are generally grouped by business segment for management accounting, and the Group makes a determination based on the estimated future cash flows of each business unit. Idle assets are grouped by individual property and the recoverable amount is measured by the net selling price. The Group believes that the estimation of future cash flows and recoverable amounts is reasonable. However, if future cash flows and recoverable amounts decrease due to deviations from future business plans, changes in market conditions and demand, etc., an impairment loss may occur, which may have a significant impact on profit or loss.

(2) Valuation of Retirement Benefit Obligations and Costs

(a) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Net defined benefit asset	¥21,819	¥20,666	$162,828
Net defined benefit liability	14,222	12,994	106,134

(b) Information on the significant accounting estimate

The calculation of retirement benefit costs and retirement benefit obligations for employees is based on actuarial assumptions. Assumptions include the discount rate, expected rate of salary increase, retirement rate, mortality rate and expected long-term rate of return on plan assets. The actuarial assumptions used by the Group are considered reasonable. However, differences between the assumptions and actual results, and changes in the assumptions themselves may affect the future periodic benefit costs, benefit obligations and the required contributions to the plan, which may have a material impact on earnings and financial position.

(3) Recoverability of Deferred Tax Assets

(a) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets	¥15,693	¥12,606	$117,112

(b) Information on the significant accounting estimate

The Group has established a valuation allowance for deferred tax assets deemed to be unrecoverable. The recoverability of the deferred tax assets is evaluated by determining whether each entity has sufficient taxable income that is measured based on the historical taxable income and estimates of future taxable income. If deteriorations in the market environment or business performance occur, then the estimated future taxable income may not be accurate, which may cause the Group to record an additional valuation allowance for the deferred tax assets and cause a material impact on the Group's profit or loss.

4. U.S. DOLLAR AMOUNTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥134 to $1, the approximate rate of exchange as of March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

5. CASH FLOWS

Major components of assets and liabilities of companies newly consolidated due to acquisition of shares

Year ended March 31, 2023

Major components of assets and liabilities at the acquisition date of Nissui Pharmaceutical Co., Ltd., due to acquisition of the equity interests and a reconciliation between the acquisition value of shares of Nissui Pharmaceutical Co., Ltd., and net payments for acquisition of Nissui Pharmaceutical Co., Ltd., are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥10,405	$ 77,649
Non-current assets	8,025	59,888
Goodwill	2,895	21,604
Current liabilities	(3,085)	(23,022)
Non-current liabilities	(1,372)	(10,239)
Acquisition value of shares of newly consolidated subsidiaries	16,868	125,880
Cash and cash equivalents of newly consolidated subsidiaries	(2,872)	(21,432)
Less: Payments for acquisition of newly consolidated subsidiaries	13,996	104,448

6. NOTES AND ACCOUNTS RECEIVABLE – TRADE, AND CONTRACT ASSETS

Notes and accounts receivable – trade, and contract assets as of March 31, 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Notes receivable - trade	¥ 28,689	¥28,665	$214,097
Accounts receivable - trade	102,277	92,819	763,261
Contract assets	277	447	2,067

7. MARKETABLE AND INVESTMENT SECURITIES

Marketable and Investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current:			
Marketable securities	¥425		$3,172
Non-current:			
Marketable equity securities	¥11,313	¥11,913	$ 84,425
Bonds	239		1,784
Non-marketable equity securities	1,692	702	12,627
Total	¥13,669	¥12,615	$102,008

The cost and aggregate fair values of investment securities as of March 31, 2023 and 2022, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as:				
Available-for-sale equity securities	¥2,757	¥8,556		¥11,313
Bonds	250		¥(11)	239
Others	499		(74)	425
March 31, 2022				
Securities classified as:				
Available-for-sale equity securities	¥2,662	¥9,253	¥(2)	¥11,913

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as:				
Available-for-sale equity securities	$20,575	$63,850		$84,425
Bonds	1,866		$ (82)	1,784
Others	3,724		(552)	3,172

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2023			
Available-for-sale:			
Equity securities	¥182	¥103	

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2022			
Available-for-sale:			
Equity securities	¥305	¥147	

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2023			
Available-for-sale:			
Equity securities	$1,358	$769	

In addition to the sales of available-for-sale securities mentioned above, investment securities held by the Company were donated to the Shimadzu Gakuen for the year ended March 31, 2022. Details are described in Note 18.

8. INVENTORIES

Inventories as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Merchandise and finished goods	¥ 72,333	¥ 61,387	$ 539,798
Work in process	26,505	20,778	197,799
Raw materials and supplies	29,258	24,484	218,343
Total	¥ 128,096	¥ 106,649	$ 955,940

9. LONG-LIVED ASSETS

No impairment loss was recognized for the years ended March 31, 2023 and 2022.

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings primarily consisted of bank overdrafts and financing agreements with banks, which are renewable on an annual basis and bear interest at annual rates ranging from 0.33% to 0.43% and from 0.37% to 0.44%, as of March 31, 2023 and 2022, respectively.

Long-term debt as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Borrowings, principally from banks, due serially to 2026 with interest rates ranging from 0.65% to 0.74% as of March 31, 2023 (from 0.65% to 2.20%, due serially to 2026 as of March 31, 2022)	¥ 204	¥ 283	$ 1,521
Obligations under finance leases	9,738	9,882	72,672
Total	9,942	10,165	74,193
Less current portion	(3,310)	(3,536)	(24,701)
Long-term debt, less current portion	¥ 6,632	¥ 6,629	$ 49,492

Annual maturities of long-term debt outstanding as of March 31, 2023 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31		
2024	¥3,310	$ 24,701
2025	2,713	20,249
2026	1,773	13,228
2027	1,055	7,873
2028	350	2,612
2029 and thereafter	741	5,530
Total	¥9,942	$ 74,193

11. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. In addition, consolidated domestic subsidiaries have severance payment plans for directors and Audit & Supervisory Board members. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the basic rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated domestic subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or certain other conditions.

The liability for retirement benefits as of March 31, 2023 and 2022, for directors and Audit & Supervisory Board members is ¥141 million ($1,056 thousand) and ¥144 million and includes in "Other long-term liabilities" under "Long-term liabilities," respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders of each subsidiary.

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥58,753	¥56,951	$438,455
Current service cost	2,542	2,430	18,970
Interest cost	784	702	5,851
Actuarial losses	(1,151)	634	(8,590)
Benefits paid	(3,385)	(2,683)	(25,261)
Reclassification of retirement benefit obligation resulting from change from the simplified method	712		5,313
Increase of retirement benefit obligation resulting from change from the simplified method	369		2,754
Others	165	719	1,232
Balance at end of year	¥58,789	¥58,753	$438,724

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥70,406	¥68,484	$525,418
Expected return on plan assets	1,295	1,147	9,664
Actuarial gains	(1,108)	624	(8,269)
Contributions from the employer	1,397	2,205	10,425
Benefits paid	(2,173)	(2,400)	(16,216)
Others	200	346	1,493
Balance at end of year	¥70,017	¥70,406	$522,515

(3) The changes in defined benefit liability and defined benefit assets for the plans to which the simplified method was applied for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥3,982	¥3,701	$29,716
Net periodic benefit costs	1,093	918	8,157
Benefits paid	(372)	(296)	(2,776)
Contributions from the employer	(361)	(341)	(2,694)
Reclassification of retirement benefit obligation resulting from change from the simplified method	(712)		(5,313)
Others	2		14
Balance at end of year	¥3,632	¥3,982	$27,104

In the above, defined benefit liability and defined benefit assets have been offset.

(4) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 61,896	¥ 63,417	$ 461,910
Plan assets	(71,728)	(73,206)	(535,283)
	(9,832)	(9,789)	(73,373)
Unfunded defined benefit obligation	2,235	2,117	16,679
Net liability arising from defined benefit obligation	¥ (7,597)	¥ (7,672)	$ (56,694)
Liability for retirement benefits	¥ 14,222	¥ 12,994	$ 106,134
Asset for retirement benefits	21,819	(20,666)	162,828
Net liability arising from defined benefit obligation	¥ (7,597)	¥ (7,672)	$ (56,694)

(5) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 2,542	¥ 2,430	$18,970
Interest cost	784	702	5,851
Expected return on plan assets	(1,295)	(1,147)	(9,664)
Recognized actuarial losses	31	198	230
Amortization of prior service cost	(1)	(165)	(7)
Increase of retirement benefit obligation resulting from change from the simplified method	369		2,754
Net periodic benefit costs calculated using the simplified method	1,093	918	8,157
Net periodic benefit costs	¥ 3,523	¥ 2,936	$26,291

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost	¥ 1	¥(160)	$ 7
Actuarial losses	120	71	896
Total	¥121	¥ (89)	$903

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost	¥ (7)	¥ (9)	$ (52)
Unrecognized actuarial losses (gains)	8,226	8,108	61,388
Total	¥8,219	¥8,099	$61,336

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Equity investments	50%	48%
Debt investments	24	33
General account asset	14	14
Others	12	5
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	1.5%	1.5%

The expected compensation increase rate for the years ended March 31, 2023 and 2022, is based on the age-specific compensation increase index as of March 31, 2020.

(10) Defined contribution pension plans

The Company and certain domestic and overseas subsidiaries paid costs for defined contribution pension plans of ¥992 million ($7,403 thousand) and ¥770 million, respectively, for the years ended March 31, 2023 and 2022.

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. REVENUE RECOGNITION

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen						
	2023						
	Reportable Segment						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total
Japan	¥121,138	¥40,601	¥26,818	¥17,847	¥206,404	¥4,721	¥211,125
U.S.A.	32,788	10,337	8,267	5,291	56,683		56,683
Europe	32,687	4,258	4,173	566	41,684		41,684
China	74,103	4,947	17,663	35	96,748		96,748
Other Asian Countries	39,135	7,049	5,833	180	52,197	6	52,203
Other	14,818	8,684	228	67	23,797		23,797
Total	¥314,669	¥75,876	¥62,982	¥23,986	¥477,513	¥4,727	¥482,240

	Millions of Yen						
	2022						
	Reportable Segment						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total
Japan	¥113,632	¥37,970	¥26,624	¥18,214	¥196,440	¥4,725	¥201,165
U.S.A.	28,956	8,000	7,837	3,729	48,522		48,522
Europe	28,561	3,482	3,075	180	35,298		35,298
China	63,248	4,675	13,536	10	81,469		81,469
Other Asian Countries	31,283	6,230	5,532	63	43,108	2	43,110
Other	11,836	6,537	133	105	18,611		18,611
Total	¥277,516	¥66,894	¥56,737	¥22,301	¥423,448	¥4,727	¥428,175

	Thousands of U.S. Dollars						
	2023						
	Reportable Segment						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total
Japan	$ 904,015	$ 302,993	$ 200,134	$ 133,187	$ 1,540,329	$ 35,231	$ 1,575,560
U.S.A.	244,687	77,142	61,694	39,485	423,008		423,008
Europe	243,933	31,776	31,142	4,224	311,075		311,075
China	553,007	36,918	131,813	261	721,999		721,999
Other Asian Countries	292,052	52,604	43,530	1,343	389,529	45	389,574
Other	110,582	64,806	1,702	500	177,590		177,590
Total	$ 2,348,276	$ 566,239	$ 470,015	$ 179,000	$ 3,563,530	$ 35,276	$ 3,598,806

(2) Basic Information to Understand Revenues from Contracts with Customers

The Group's business consists of the Analytical and Measuring Instruments Business, Medical Systems and Equipment Business, Industrial Machinery Business, Aircraft Equipment Business, and Other Business. All of the businesses engage in the sale of products and provision of services.

Information on contracts and performance obligations, as well as information on the point at which performance obligations are satisfied, are described in Note 2, "Summary of Significant Accounting Policies - s. Revenue Recognition."

Revenue from the sale of products and the provision of services is measured at the transaction price of the contract with the customer less variable compensation such as discounts. In the Medical Systems and Equipment Business, revenue is recognized on a net basis if the Group acts as an agent to provide goods or services to customers.

Consideration for the transaction is received mainly within one year after the fulfillment of the performance obligation and does not include significant financial factors.

(3) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers:			
Balance at beginning of year	¥ 121,484	¥ 116,564	$ 906,597
Balance at end of year	130,966	121,484	977,358
Contract assets:			
Balance at beginning of year	447	1,293	3,336
Balance at end of year	277	447	2,067
Contract liabilities:			
Balance at beginning of year	40,348	35,696	301,104
Balance at end of year	50,158	40,348	374,313

The contract assets primarily relate to the Group's rights to consideration for performance obligation transferred but not billed at the reporting date. The contract assets are transferred to receivables when the rights for the payments become unconditional.

The contract liabilities primarily relate to the consideration received from customers in advance of satisfaction of performance obligation. The contract liabilities are reclassified to revenue when the Group satisfies a performance obligation based on the contract.

Of the revenues recognized in the consolidated statement of income for the years ended March 31, 2023 and 2022, ¥30,369 million ($226,634 thousand) and ¥27,924 million was included in the balance of contract liabilities on April 1, 2022 and 2021.

(4) Transaction Prices Allocated to Remaining Performance Obligations

The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2023 and 2022:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Within one year	¥ 175,909	¥ 129,986	$ 1,312,754
After one year	31,845	25,028	237,649
Total	¥ 207,754	¥ 155,014	$ 1,550,403

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to cost of sales and selling, general and administrative expenses were ¥11,031 million ($82,321 thousand) and ¥10,279 million for the years ended March 31, 2023 and 2022, respectively.

15. INSURANCE CLAIM INCOME

The Group recorded insurance claims related to a fire incident that occurred at Shimadzu U.S.A. Manufacturing, Inc., a consolidated overseas subsidiary, in September 2021.

16. LOSS ON LIQUIDATION OF BUSINESS

In connection with the partial liquidation of the aeronautical equipment business of Shimadzu Precision Instruments, Inc., a consolidated foreign subsidiary, expenses related to the disposal of assets related to the business to be liquidated were recorded as loss on liquidation of business.

17. LOSS ON SPECIAL INVESTIGATION

The Group recorded loss on special investigation such as investigation costs and compensation to customers related to improper conduct in connection with the maintenance and inspection of X-ray equipment at its domestic consolidated subsidiary, Shimadzu Medical Systems Corporation.

18. DONATION AND GAIN ON TRANSFER OF INVESTMENT SECURITIES

The Group recognized donation and gain on transfer of investment securities for the year ended March 31, 2022, in relation to the donation of the investment securities to Shimadzu Gakuen. At the time of the transfer, the market value of the investment securities was ¥949 million, which was recorded as donation in other income (expenses). The difference between the book value and the market value of ¥813 million was recorded as gain on the transfer of investment securities also in other income (expenses).

19. LOSS ON FIRE

The loss due to the fire accident that occurred at Shimadzu U.S.A. Manufacturing, Inc. in September 2021 was recorded. The proceeds from the insurance for the loss due to the fire accident was expected to be received, but was not recorded because the amount had not been determined.

20. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2023 and 2022, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Unrealized profit eliminated from inventories	¥ 5,852	¥ 4,472	$ 43,672
Liability for retirement benefits	4,034	3,869	30,104
Accrued bonuses	3,760	3,184	28,060
Depreciation	2,419	2,269	18,052
Loss on devaluation of inventories	1,451	1,420	10,828
Enterprise taxes	642	661	4,791
Allowance for doubtful receivables	514	381	3,836
Tax loss carryforwards	270	293	2,015
Loss on impairment of long-lived assets	136	136	1,015
Other	4,972	3,729	37,105
Total	24,050	20,414	179,478
Less valuation allowance	(892)	(736)	(6,657)
Total deferred tax assets	¥ 23,158	¥ 19,678	$ 172,821
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	¥ 3,745	¥ 3,745	$ 27,948
Unrealized gain on available-for-sale securities	2,546	2,780	19,000
Valuation difference on business combination	891		6,649
Other	1,244	689	9,283
Total deferred tax liabilities	¥ 8,426	¥ 7,214	$ 62,880
Net deferred tax assets	¥ 15,693	¥ 12,606	$ 117,112
Net deferred tax liabilities (included in other long-term liabilities)	¥ 961	¥ 142	$ 7,171

The above net deferred tax assets and liabilities represent the aggregate amounts of each individual taxpayer's net deferred tax assets or liabilities.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2023, with the corresponding figures for the year ended March 31, 2022, is as follows:

	2023	2022
Normal effective statutory tax rate	30.5%	30.5%
Expenses not permanently deductible for income tax purposes	0.3	0.5
Per capita inhabitant tax	0.2	0.2
Valuation allowance	0.0	(0.1)
Difference in subsidiaries' tax rates	(1.2)	(0.8)
Tax credit for research and development costs	(2.5)	(2.5)
Other, net	(0.8)	0.5
Actual effective tax rate	26.5%	28.3%

21. LEASES

LESSEE

The Group leases certain office space, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2023 and 2022, were ¥6,383 million ($47,634 thousand) and ¥5,523 million, respectively. Future minimum payments under noncancelable operating leases as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 1,169	¥ 92	$ 8,724
Due after one year	14,887	159	111,097
Total	¥16,056	¥251	$119,821

(Note) Lease transactions recorded on consolidated balance sheet under IFRS 16 and Topic 842 issued by the Financial Accounting Standards Board are not included in above information.

LESSOR

Future lease income under noncancelable operating leases as of March 31, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥23	¥20	$172
Due after one year	7	28	52
Total	¥30	¥48	$224

22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments such as loans from banks, bonds, and commercial paper. Cash surpluses, if any, are invested in low-risk financial assets such as deposits. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Such customer credit risk is managed by administering the term and balance according to the Group's policies and by monitoring indications of deterioration of the financial condition of customers. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position is hedged by using forward foreign currency contracts. Marketable securities and Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. The risk is managed by monitoring market values and financial positions of issuers on a regular basis.

Payment terms of payables, such as trade notes and trade accounts, are generally less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currencies as noted above.

Short-term loans and commercial paper are mainly used for operating activities, and long-term loans and bonds are mainly used for investment in property, plant and equipment. A part of such loans is exposed to market risks of interest rate fluctuation. Although payables and loans are exposed to liquidity risk, such risk is managed by making monthly cash flow plans.

Please see Note 23 about derivatives.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are included in the following tables. Investments in equity instruments that do not have a quoted market price in an active market and investment in investment partnerships are not included in the following table. The fair values of cash and cash equivalents, time deposits, trade notes and accounts payable and short-term borrowings are not disclosed because their maturities are short and the carrying values approximate fair value.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Notes and accounts receivable – trade, and contract assets	¥131,243	¥131,132	¥(111)
Marketable securities	425	425	
Investment securities	11,552	11,552	
Total	¥143,220	¥143,109	¥(111)
Derivatives	¥(142)	¥(142)	

	Millions of Yen		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Notes and accounts receivable – trade, and contract assets	¥121,931	¥121,799	¥(132)
Investment securities	11,913	11,913	
Total	¥133,844	¥133,712	¥(132)
Derivatives	¥(543)	¥(543)	

	Thousands of U.S. Dollars		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Notes and accounts receivable – trade, and contract assets	$ 979,425	$ 978,597	$(828)
Marketable securities	3,172	3,172	
Investment securities	86,209	86,209	
Total	$ 1,068,806	$ 1,067,978	$(828)
Derivatives	$(1,060)	$(1,060)	

(b) Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investments in equity instruments that do not have a quoted market price in an active market	¥1,614	¥ 614	$12,044
Stocks of unconsolidated subsidiaries and associated companies	1,901	881	14,187
Total	¥3,515	¥1,495	$26,231

(c) Carrying amount of investment in investment partnerships

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investment in investment partnerships	¥78	¥88	$583
Total	¥78	¥88	$583

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		Thousands of U.S. Dollars	
March 31, 2023	Due in 1 Year or Less	Due after 1 Year	Due in 1 Year or Less	Due after 1 Year
Cash and cash equivalents	¥153,735		$1,147,276	
Time deposits	5,112		38,149	
Notes and accounts receivable – trade, and contract assets	130,890	¥353	976,791	$2,634
Marketable securities	425		3,172	
Bonds		300		2,239
Total	¥290,162	¥653	$2,165,388	$4,873

	Millions of Yen	
March 31, 2022	Due in 1 Year or Less	Due after 1 Year
Cash and cash equivalents	¥155,319	
Time deposits	2,647	
Notes and accounts receivable – trade, and contract assets	121,660	¥271
Total	¥279,626	¥271

Please see Note 10 for annual maturities of long-term debt.

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of Yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Stock	¥11,313			¥11,313
Bond		¥239		239
Total assets	¥11,313	¥239		¥11,552
Derivative transactions:				
Forward exchange contracts		¥142		¥ 142
Total liabilities		¥142		¥ 142

	Millions of Yen			
March 31, 2022	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Stock	¥11,913			¥11,913
Total assets	¥11,913			¥11,913
Derivative transactions:				
Forward exchange contracts		¥543		¥ 543
Total liabilities		¥543		¥ 543

March 31, 2023	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Stock	$ 84,425			$ 84,425
Bond		$ 1,784		1,784
Total assets	$ 84,425	$ 1,784		$ 86,209
Derivative transactions:				
Forward exchange contracts		$ 1,060		$ 1,060
Total liabilities		$ 1,060		$ 1,060

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

March 31, 2023	Millions of Yen Level 1	Level 2	Level 3	Total
Notes and accounts receivable – trade, and contract assets		¥ 131,132		¥ 131,132
Total assets		¥ 131,132		¥ 131,132

March 31, 2022	Millions of Yen Level 1	Level 2	Level 3	Total
Notes and accounts receivable – trade, and contract assets		¥ 121,799		¥ 121,799
Total assets		¥ 121,799		¥ 121,799

March 31, 2023	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Notes and accounts receivable – trade, and contract assets		$ 978,597		$ 978,597
Total assets		$ 978,597		$ 978,597

The description of investment trusts is omitted because the treatment of Paragraph 24-3 of the Guidance on Application of Market Value Accounting Standards is applied. The carrying amount of the investment trusts for the year ended March 31, 2023 were ¥425 million ($3,172 thousand).

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. The fair value of the bonds held by the Group is categorized as Level 2 as they are not quoted in active markets.

Derivatives

The fair value of forward exchange contracts is estimated based on quotes from financial institutions, and is categorized as Level 2.

Notes and Accounts Receivable – Trade, and Contract Assets

The fair values of trade receivables are measured at the amount to be received at maturity discounted at the Group-assumed corporate discount rate, and are categorized as Level 2.

23. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge exchange rate risk associated with certain assets and liabilities denominated in foreign currencies. All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is generally offset by opposite movements in the value of hedged assets or liabilities, except for credit-related market risk.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions are operated by the finance and accounting department with internal policies under the supervision of the Chief Financial Officer.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

The Company has the following derivative contracts outstanding as of March 31, 2023 and 2022:

	2023			2022		
	In Thousands	Millions of Yen		In Thousands	Millions of Yen	
	Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)	Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:						
Selling USD	USD 59,500	¥(98)	¥(98)	USD 79,500	¥(513)	¥(513)
Selling Euro	EUR 12,500	(43)	(43)	EUR 5,000	(30)	(30)

	2023		
	In Thousands	Thousands of U.S. Dollars	
	Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:			
Selling USD	USD 59,500	$(731)	$(731)
Selling Euro	EUR 12,500	(321)	(321)

24. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (772)	¥ 776	$ (5,761)
Reclassification adjustments to profit or loss	(103)	(960)	(769)
Amount before income tax effect	(875)	(184)	(6,530)
Income tax effect	234	76	1,746
Total	¥ (641)	¥ (108)	$ (4,784)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥5,564	¥9,975	$41,522
Total	¥5,564	¥9,975	$41,522
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 86	¥ (162)	$ 642
Reclassification adjustments to profit or loss	34	73	254
Amount before income tax effect	120	(89)	896
Income tax effect	(49)	75	(366)
Total	¥ 71	¥ (14)	$ 530
Total other comprehensive income	¥4,994	¥9,853	$37,268

25. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Year Ended March 31, 2023				
Basic EPS				
Net income available to common shareholders	¥52,049	294,666	¥176.64	$1.32
Year Ended March 31, 2022				
Basic EPS				
Net income available to common shareholders	¥47,290	294,651	¥160.49	

Diluted EPS for the years ended March 31, 2023 and 2022, is not disclosed because no potentially dilutive securities are outstanding.

26. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2023, was approved at the Company's shareholders' meeting held on June 28, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥32 ($0.24) per share	¥9,434	$70,403

27. BUSINESS COMBINATION

Year Ended March 31, 2023

(Business Combination by Acquisition)

At the meeting of the Board of Directors held on May 31, 2022, the Company resolved to make a tender offer ("Tender Offer") to acquire the shares of Nissui Pharmaceutical Co., Ltd. ("Target Company") held by shareholders other than Nippon Suisan Kaisha, Ltd. ("Nippon Suisan"), which is the parent company and the largest shareholder of the Target Company, as part of a transaction to make the Target Company a wholly-owned subsidiary of the Company. The Tender Offer commenced on June 17, 2022 and ended on July 28, 2022.

In addition, the Target Company conducted an additional tender offer for the Target Company shares ("Tender Offer for Own Shares") from August 5, 2022 to September 5, 2022 for the purpose of acquiring the Target Company shares held by Nippon Suisan as well as the Target Company shares held by shareholders who wish to tender their shares in the Tender Offer for Own Shares. As a result of the Tender Offer for Own Shares, the Target Company became a consolidated subsidiary of the Company on September 29, 2022 (the commencement date of settlement of the Tender Offer for Own Shares).

Furthermore, as the Company did not own all of the shares of the Target Company after the completion of the settlement of the Tender Offer other than treasury stock, the Target Company implemented a reverse stock split effective November 15, 2022 ("Reverse Stock Split") as part of a squeeze-out procedure to make the Target Company a wholly-owned subsidiary of the Company. Pursuant to the provisions of Article 234, Paragraph 2 of the Companies Act (Act No. 86 of 2005, including subsequent amendments), as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the same Act, with the permission of the court, the Company acquired additional fractions of less than one share resulting from the Reverse Stock Split, and the Target Company became a wholly-owned subsidiary of the Company.

a. Outline of the business combination

(1) Name of acquired company and its business outline

Name of the acquired company:	Nissui Pharmaceutical Co., Ltd.
Business outline:	Manufacturing, trading, import, and export of clinical diagnostics, industrial diagnostics and cell culture-related products.

(2) Major reason for the business combination

On May 20, 2020, the Company formulated its Medium-Term Management Plan for FY 2020-2022 and identified the promotion of infectious disease control projects as an urgent priority. The Company has since introduced new COVID-19 testing reagent kits and fully automated PCR test equipment to the market, and it is actively working to develop a framework for infectious disease control measures, including the development of new testing methods for clinical use, the establishment of a network management system for test data, and the monitoring of viruses in sewage, in an effort to further expand its business in the clinical testing market. Making the Target Company a wholly-owned subsidiary can be expected to have synergistic effects such as the development and launch of new products jointly developed by the two companies, the establishment of new test reagent manufacturing methods utilizing the Target Company's antibody manufacturing capabilities, and the development of new solutions utilizing the Target Company's cell culture-related technologies, which may contribute to the enhancement of both companies' corporate value.

(3) Date of business combination

September 29, 2022 (deemed acquisition date: September 30, 2022)

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of the company after the combination

SHIMADZU DIAGNOSTICS CO., LTD. (name changed on April 1, 2023)

(6) Ratio of voting rights acquired

September 29, 2022	78.91%
November 15, 2022	21.09%
After acquisition	100.00%

(7) Basis for determining the acquirer

It is based on the fact that the Company acquired 100% of voting rights by means of share acquisition in consideration for cash.

b. The period for which the operations of the acquired company are included in the consolidated financial statements

The operations of the acquired company for the six months from October 1, 2022 to March 31, 2023, were included in the consolidated statement of income for the year ended March 31, 2023.

c. Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition – Cash	¥16,868	$125,880
Acquisition cost	¥16,868	$125,880

d. Major acquisition-related costs

Advisory fees and commissions to the lawyers and financial institutions:	¥467 million ($3,493 thousand)

e. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

(1) Amount of goodwill incurred

¥2,895 million ($21,604 thousand)

(2) Reasons for the goodwill incurred

Goodwill is incurred from expected excess earnings power in the future arising from further business development.

(3) Method and period of amortization

Goodwill is amortized on a straight-line basis over 10 years.

f. The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥10,405	$ 77,649
Property, plant and equipment	8,025	59,888
Total assets acquired	18,430	137,537
Current liabilities	3,085	23,022
Non-current liabilities	1,372	10,239
Total liabilities assumed	4,457	33,261
Net assets acquired	¥13,973	$ 104,276

g. Amounts allocated to intangible assets other than goodwill and their breakdown by type and amortization period

If this business combination had been completed as of April 1, 2022, the beginning of the current fiscal year, the effects on the consolidated statement of income for the year ended March 31, 2023, would be as follows:

	Millions of Yen	Thousands of U.S. Dollars	Amortization Period
Technology-related intangible assets	¥2,143	$15,993	10 years
Customer-related intangible assets	186	1,388	19 years

h. Pro forma information (unaudited)

If this business combination had been completed as of April 1, 2022, the beginning of the current fiscal year, the effects on the consolidated statement of income for the year ended March 31, 2023, would be as follows:

	Millions of Yen	Thousands of U.S. Dollars
Sales	¥5,966	$44,522
Operating income	517	3,858
Net income attributable to owners of the parent	509	3,799

Outline of the method of calculation for the effects above:

The estimated effect is the difference between the sales and profit/loss information calculated, assuming the business combination was completed on the first day of the fiscal year, and the sales and profit/loss information in the consolidated income statement of the acquired company. In addition, the amortization of goodwill and intangible assets recognized at the time of the business combination are calculated as if they had accrued at the beginning of the fiscal year and included in the estimated amount.

28. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. As such, the Group's reportable segments consist of Analytical and Measuring Instruments, Medical Systems and Equipment, Aircraft Equipment, and Industrial Machinery.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Sales, Profit (Loss), Assets, and Other Items

	Millions of Yen								
	2023								
	Reportable Segment								
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 314,669	¥ 75,876	¥ 62,982	¥ 23,986	¥ 477,513	¥ 4,727	¥ 482,240		¥ 482,240
Intersegment sales or transfers	55	47	67	37	206	2,424	2,630	¥ (2,630)	
Total	¥ 314,724	¥ 75,923	¥ 63,049	¥ 24,023	¥ 477,719	¥ 7,151	¥ 484,870	¥ (2,630)	¥ 482,240
Segment profit	¥ 57,615	¥ 5,539	¥ 5,423	¥ 1,390	¥ 69,967	¥ 597	¥ 70,564	¥ (2,345)	¥ 68,219
Segment assets	313,355	60,793	61,817	39,044	475,009	9,685	484,694	134,175	618,869
Other:									
Depreciation	11,745	2,521	2,200	647	17,113	411	17,524		17,524
Increase in property, plant and equipment and intangible assets	14,900	2,645	3,603	1,015	22,163	350	22,513		22,513

	Millions of Yen								
	2022								
	Reportable Segment								
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 277,516	¥ 66,894	¥ 56,737	¥ 22,301	¥ 423,448	¥ 4,727	¥ 428,175		¥ 428,175
Intersegment sales or transfers	9	71	150	20	250	2,205	2,455	¥ (2,455)	
Total	¥ 277,525	¥ 66,965	¥ 56,887	¥ 22,321	¥ 423,698	¥ 6,932	¥ 430,630	¥ (2,455)	¥ 428,175
Segment profit	¥ 52,956	¥ 6,083	¥ 5,979	¥ 119	¥ 65,137	¥ 1,256	¥ 66,393	¥ (2,587)	¥ 63,806
Segment assets	254,536	62,130	56,172	41,969	414,807	6,908	421,715	138,813	560,528
Other:									
Depreciation	10,787	2,466	1,849	689	15,791	414	16,205		16,205
Increase in property, plant and equipment and intangible assets	9,905	2,216	3,254	689	16,064	293	16,357		16,357

	Thousands of U.S. Dollars								
	2023								
	Reportable Segment								
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$ 2,348,276	$ 566,239	$ 470,015	$ 179,000	$ 3,563,530	$ 35,276	$ 3,598,806		$ 3,598,806
Intersegment sales or transfers	410	351	500	276	1,537	18,090	19,627	$ (19,627)	
Total	$ 2,348,686	$ 566,590	$ 470,515	$ 179,276	$ 3,565,067	$ 53,366	$ 3,618,433	$ (19,627)	$ 3,598,806
Segment profit	$ 429,963	$ 41,336	$ 40,470	$ 10,373	$ 522,142	$ 4,455	$ 526,597	$ (17,500)	$ 509,097
Segment assets	2,338,470	453,679	461,321	291,373	3,544,843	72,276	3,617,119	1,001,306	4,618,425
Other:									
Depreciation	87,649	18,813	16,418	4,828	127,708	3,068	130,776		130,776
Increase in property, plant and equipment and intangible assets	111,194	19,739	26,888	7,575	165,396	2,611	168,007		168,007

Note: "Reconciliations" of segment profit include eliminations of intersegment transactions of ¥2,345 million ($17,500 thousand) and ¥2,587 million as of March 31, 2023 and 2022, respectively. "Reconciliations" of segment assets include eliminations of intersegment receivables of ¥1,718 million ($12,821 thousand) and ¥1,604 million, and unallocated corporate assets of ¥135,893 million ($1,014,127 thousand) and ¥140,417 million as of March 31, 2023 and 2022, respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to the Company's administration headquarters.

Segment profit has been adjusted to operating income in the consolidated statement of income.

(4) The Geographical Segments of the Group

a. Sales

	Millions of Yen						
	Japan	United States of America	Europe	China	Other Asia	Other	Total
2023	¥211,125	¥56,683	¥41,684	¥96,748	¥52,203	¥23,797	¥482,240

	Millions of Yen						
	Japan	United States of America	Europe	China	Other Asia	Other	Total
2022	¥201,165	¥48,522	¥35,298	¥81,469	¥43,110	¥18,611	¥428,175

	Thousands of U.S. Dollars						
	Japan	United States of America	Europe	China	Other Asia	Other	Total
2023	$1,575,560	$423,008	$311,075	$721,999	$389,574	$177,590	$3,598,806

b. Property, plant and equipment

Millions of Yen					
2023			2022		
Japan	Foreign Countries	Total	Japan	Foreign Countries	Total
¥87,405	¥25,587	¥112,992	¥80,453	¥23,977	¥104,430

Thousands of U.S. Dollars		
2023		
Japan	Foreign Countries	Total
$652,276	$190,948	$843,224

(5) Amortization and the Balance of Goodwill of the Group

	Millions of Yen						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥ 274	¥ 57	¥ 53				¥ 384
Goodwill as of March 31, 2023	3,981	605	362				4,948

	Millions of Yen						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥ 119	¥ 48	¥ 49				¥ 216
Goodwill as of March 31, 2022	1,279	606	398				2,283

	Thousands of U.S. Dollars						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	$ 2,045	$ 425	$ 396				$ 2,866
Goodwill as of March 31, 2023	29,709	4,515	2,701				36,925

(6) Impairment Loss on Assets of the Group

No impairment loss was recognized for the years ended March 31, 2023 and 2022.

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